

**MARION PUBLIC SCHOOLS**

**MARION, MICHIGAN**

**JUNE 30, 2008**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2008

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

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July 11, 2008

### INDEPENDENT AUDITORS' REPORT

Board of Education  
Marion Public Schools  
Marion, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marion Public Schools, Marion, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marion Public School's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, the governmental activities, each major fund, and the aggregate remaining fund information of Marion Public Schools, Marion, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2008, on our consideration of Marion Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 27-28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marion Public Schools, Marion, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information found on pages 29 through 48 are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Marion Public Schools, a K-12 school district located in Osceola and Clare Counties, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Marion Public Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

**A. Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds which include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**B. Government-wide Financial Statements**

This report includes government-wide statements as required by GASB statement number 34. The government-wide financial statements are designed to provide a broad overview of the district's financial position. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The District's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as all debt of the District.

**C. Summary of Net Assets**

The following schedule summarizes the net assets at fiscal year ended June 30:

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current Assets	\$ 2,141,407	\$ 2,716,157
Non Current Assets		
Capital Assets	10,387,321	10,112,709
Less Accumulated Depreciation	<u>(3,511,000)</u>	<u>(3,099,053)</u>
Total Non Current Assets	<u>6,876,321</u>	<u>7,013,656</u>
Total Assets	<u>\$ 9,017,728</u>	<u>\$ 9,729,813</u>
<b>Liabilities</b>		
Current Liabilities	\$ 823,601	\$ 807,163
Non Current Liabilities	<u>5,346,082</u>	<u>5,550,235</u>
Total Liabilities	<u>6,169,683</u>	<u>6,357,398</u>
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	1,456,946	1,388,477
Restricted for Debt Service	231,400	194,176
Restricted for Capital Projects	37,625	268,059
Unrestricted	<u>1,122,074</u>	<u>1,521,703</u>
Total Net Assets	<u>2,848,045</u>	<u>3,372,415</u>
Total Liabilities and Net Assets	<u>\$ 9,017,728</u>	<u>\$ 9,729,813</u>

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2008, the District's net assets decreased by \$524,370. A few of the more significant factors affecting net assets during the year are discussed below:

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$411,947 was recorded for depreciation expense.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2008, \$274,612 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

**3. Payment of Long-Term Liabilities**

During the year ending June 30, 2008, the District decreased its long-term liabilities by \$200,227.

**E. Results of Operations**

For the fiscal year ended June 30, the results of operations, on a District-wide basis, were:

	2008		2007	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property Taxes	\$ 1,700,528	23.22%	\$ 1,612,635	24.33%
Investment Earnings	44,187	0.60%	94,955	1.43%
State Sources	3,268,087	44.63%	3,449,134	52.04%
Donations	100,090	1.37%	2,966	0.04%
Other	48,549	0.66%	42,753	0.65%
Total General Revenues	5,161,441	70.48%	5,202,443	78.49%
<b>Program Revenues</b>				
Charges for Services	92,884	1.27%	102,982	1.56%
Operating Grants	2,068,674	28.25%	1,322,386	19.95%
Total Program Revenues	2,161,558	29.52%	1,425,368	21.51%
Total Revenues	7,322,999	100.00%	6,627,811	100.00%



MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

	2008		2007	
	Amount	% of Total	Amount	% of Total
<b>Expenses</b>				
Instruction	\$ 4,486,982	57.18%	\$ 3,508,240	51.23%
Supporting Services	2,237,965	28.52%	2,309,949	33.73%
Food Service	285,220	3.63%	246,414	3.60%
Athletic Activities	163,212	2.08%	173,217	2.53%
Interest on Long-Term Debt	245,980	3.13%	275,706	4.03%
Capital Projects	2,690	0.03%	2,690	0.04%
Other Transactions	13,373	0.17%	13,620	0.20%
Unallocated Depreciation	411,947	5.26%	317,675	4.64%
 Total Expenses	 7,847,369	 100.00%	 6,847,511	 100.00%
 Change in Net Assets	 \$ (524,370)		 \$ (219,700)	

**F. Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the District levied \$1,242,777 in non-homestead property taxes.

The following table summarizes the non-homestead property tax levies for operations for the past three years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>
2007-2008	\$ 1,242,777
2006-2007	\$ 1,167,745
2005-2006	\$ 1,083,000

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MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count, plus blended counts from the two previous years. For the 2007-2008 fiscal year, the District received \$7,204 per student FTE.

**3. Student Enrollment**

The following schedule summarizes the blended student enrollment for the past three fiscal years:

<u>Fiscal Year</u>	<u>Blended Student FTE</u>
2007-2008	645
2006-2007	672
2005-2006	707

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state, and other grants accounted for \$2,068,674.

**G. General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

	ORIGINAL	FINAL		VARIANCE
	BUDGET	BUDGET	ACTUAL	WITH FINAL
				BUDGET
				OVER (UNDER)
Total Revenues	<u>\$ 5,458,398</u>	<u>\$ 6,643,224</u>	<u>\$ 6,597,791</u>	<u>\$ (45,433)</u>
<u>EXPENDITURES</u>				
Instruction	\$ 3,049,050	\$ 4,021,885	\$ 3,910,189	\$ (111,696)
Supporting Services	2,851,358	3,074,067	2,839,951	(234,116)
Other Transactions	39,187	3,746	3,746	0
Total Expenditures	<u>\$ 5,939,595</u>	<u>\$ 7,099,698</u>	<u>\$ 6,753,886</u>	<u>\$ (345,812)</u>

The change between original budget and final budget was a result of a more accurate picture of anticipated actual revenues and expenditures.

The total expenditures variance of \$(345,812) is 5.12% of total budgeted expenditures. This favorable variance is a result of not spending as much as anticipated.

## **H. Capital Asset and Debt Administration**

### **1. Capital Assets**

At June 30, 2008, the District has \$274,612 in a broad range of capital assets, including school buildings and facilities and various types of equipment. This represents a net increase of \$274,612 over the prior fiscal year. Depreciation expense for the year amounted to \$411,947, bringing the accumulated depreciation to \$3,511,000 as of June 30, 2008.

### **2. Long-Term Debt**

At June 30, 2008, the District had \$5,533,649 in bonded debt outstanding. This represents a decrease of \$215,000 from the amount outstanding at the close of the prior fiscal year. Other long-term debt includes compensated absences of \$120,034 and a water connection loan in the amount of \$71,306.

## **I. Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

With the current economic environment in the State of Michigan and its effect on public schools, uncertainty surrounds the level at which districts will be funded by the student foundation allowance for the 2008-2009 school year. Yet, budgets must be set, and we have used our best estimate in

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

establishing the budget for the upcoming school year. This concern, poses a challenge in regard to staffing issues, while striving to continue appropriate educational programming.

Infrastructure concerns are another challenge for the district. Like many other school districts in Michigan, work on updating and maintaining our school buildings had been deferred for several years. This includes equipment in our buildings that was becoming a safety issue. These needs were addressed by the passage of the 2006 bond issue. With the economic environment in Michigan, continuing to maintain our buildings will be a challenge. Our goal is to set aside money each year to keep the buildings maintained. However, educating our children is our priority.

The lowering of the retirement rate for the 2007-2008 school year was a welcome relief. However, we believe this was a temporary fix for a serious problem. In the past, the State of Michigan passed costs for retirement to the local districts, with very little additional funding increases in our foundation allowance. If this continues, it will be difficult to maintain our current staffing levels.

Health insurance rates continue to rise. This is an issue that must be addressed in order to provide decent health care for our employees, yet maintain the integrity and viability for our school system now and into the future.

The district has seen slight decreases in enrollment. We are striving to have excellent programs to draw students to our district.

Marion Public Schools is working hard to face these challenges.

**J. Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Marion Public Schools, 510 W. Main Street, Marion, Michigan 49665.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 590,112
Taxes Receivable	4,220
Inventories	8,934
Due from Other Governmental Units	927,039
Investments	610,102
Prepaid Expense	1,000
Total Current Assets	<u>2,141,407</u>

NON CURRENT ASSETS

Capital Assets	10,387,321
Less Accumulated Depreciation	<u>(3,511,000)</u>
Total Non Current Assets	<u>6,876,321</u>
TOTAL ASSETS	<u><u>\$ 9,017,728</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 166,512
Accrued Interest Payable	42,512
Salaries Payable	353,670
Deferred Revenue	28,931
Current Portion of Non Current Liabilities	231,976
Total Current Liabilities	<u>823,601</u>

NON CURRENT LIABILITIES

Bonds Payable (Net of Deferred Charges of \$146,931)	5,386,718
Water Connection Loan	71,306
Compensated Absences	120,034
Less Current Portion of Non Current Liabilities	<u>(231,976)</u>
Total Non Current Liabilities	<u>5,346,082</u>
Total Liabilities	<u>6,169,683</u>

NET ASSETS

Invested in Capital Assets Net of Related Debt	1,456,946
Restricted for Debt Service	231,400
Restricted for Capital Projects	37,625
Unrestricted	1,122,074
Total Net Assets	<u>2,848,045</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,017,728</u></u>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR	OPERATING	ACTIVITIES
		SERVICES	GRANTS	NET (EXPENSE)
				REVENUE AND
				CHANGES IN
				NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 3,892,100	\$ 9,310	\$ 1,092,201	\$ (2,790,589)
Added Needs	594,882	0	493,065	(101,817)
Supporting Services				
Pupil	143,821	0	26,895	(116,926)
Instructional Staff	365,248	0	262,210	(103,038)
General Administration	289,774	0	0	(289,774)
School Administration	387,948	0	3,569	(384,379)
Business	98,035	0	8,666	(89,369)
Operation and Maintenance of Plant	428,040	0	3,800	(424,240)
Pupil Transportation Services	416,885	0	3,274	(413,611)
Support Services - Central	106,738	0	2,294	(104,444)
Community Activities	1,476	0	1,476	0
Food Service Activities	285,220	57,038	171,224	(56,958)
Athletic Activities	163,212	26,536	0	(136,676)
Interest on Long Term Debt	245,980	0	0	(245,980)
Capital Projects	2,690	0	0	(2,690)
Other Transactions	13,373	0	0	(13,373)
Unallocated Depreciation	411,947	0	0	(411,947)
Total Governmental Activities	<u>\$ 7,847,369</u>	<u>\$ 92,884</u>	<u>\$ 2,068,674</u>	<u>\$ (5,685,811)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				1,243,329
Property Taxes - Debt Service				457,199
Investment Earnings				44,187
State Sources				3,268,087
Other				148,639
Total General Revenues				<u>5,161,441</u>
Change in Net Assets				(524,370)
<u>NET ASSETS</u> - Beginning of Year				<u>3,372,415</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 2,848,045</u>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2008

	GENERAL FUND	2006 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash	\$ 327,297	\$ 0	\$ 262,815	\$ 590,112
Taxes Receivable	2,529	0	1,691	4,220
Due from Other Funds	4,762	0	24,747	29,509
Inventories	0	0	8,934	8,934
Due from Other Governmental Units	927,039	0	0	927,039
Investments	572,392	37,625	85	610,102
Prepaid Expenditures	1,000	0	0	1,000
<b>TOTAL ASSETS</b>	<b>\$1,835,019</b>	<b>\$ 37,625</b>	<b>\$ 298,272</b>	<b>\$ 2,170,916</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 164,062	\$ 0	\$ 2,450	\$ 166,512
Due to Other Funds	16,760	0	12,749	29,509
Salaries Payable	353,670	0	0	353,670
Deferred Revenue	28,931	0	0	28,931
<b>Total Liabilities</b>	<b>563,423</b>	<b>0</b>	<b>15,199</b>	<b>578,622</b>
<u>FUND BALANCES</u>				
Reserved for Inventory	0	0	8,934	8,934
Reserved for Prepaid Expenditures	1,000	0	0	1,000
Reserved for Debt Retirement	0	0	273,912	273,912
Reserved for Capital Projects	0	37,625	0	37,625
Designated for Irene Helfrich Expenditures	93,430	0	0	93,430
Designated for Millie Jones Expenditures	40,499	0	0	40,499
Designated for Long-Term Liabilities	142,000	0	0	142,000
Designated for Athletic Activities	0	0	1,855	1,855
Unreserved, Undesignated	994,667	0	(1,628)	993,039
<b>Total Fund Balances</b>	<b>1,271,596</b>	<b>37,625</b>	<b>283,073</b>	<b>1,592,294</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$1,835,019</b>	<b>\$ 37,625</b>	<b>\$ 298,272</b>	<b>\$ 2,170,916</b>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2007

Total Governmental Fund Balances	\$	1,592,294
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Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the funds

The cost of the capital assets is	10,387,321		
Accumulated depreciation is	<u>(3,511,000)</u>		6,876,321

Long-term liabilities are not due and payable in the current period and are  
not reported in the funds

Bonds Payable	(5,533,649)		
Water Connection Loan	(71,306)		
Compensated Absences	(120,034)		
Bond Discount	35,780		
Bond Deferred Loss on Refunding	83,691		
Amortization of Bond Deferred Loss on Refunding	(16,737)		
Bond Issuance Cost on Refunding	60,829		
Amortization of Bond Issuance Cost on Refunding	<u>(16,632)</u>		(5,578,058)

Accrued interest is not included as a liability in government funds, it is recorded when paid		<u>(42,512)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>2,848,045</u></u>
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The notes to the financial statements are an integral part of this statement.



MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	GENERAL FUND	2006 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$1,432,254	\$ 4,233	\$ 549,090	\$ 1,985,577
State Sources	3,650,262	0	16,395	3,666,657
Federal Sources	1,394,551	0	154,829	1,549,380
Other Transactions	120,724	0	0	120,724
Total Revenues	6,597,791	4,233	720,314	7,322,338
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	3,910,189	0	0	3,910,189
Added Needs	597,469	0	0	597,469
Supporting Services				
Pupil	143,821	0	0	143,821
Instructional Staff	373,638	0	0	373,638
General Administration	284,658	0	0	284,658
School Administration	388,405	0	0	388,405
Business	97,647	0	0	97,647
Operation and Maintenance	429,673	0	0	429,673
Pupil Transportation Services	416,426	0	0	416,426
Support Services - Central	106,738	0	0	106,738
Community Activities	1,476	0	0	1,476
Food Service Activities	0	0	283,272	283,272
Athletic Activities	0	0	163,212	163,212
Debt Service				
Principal	0	0	215,000	215,000
Interest	0	0	244,601	244,601
Capital Projects	0	234,667	0	234,667
Other Transactions	3,746	0	3,121	6,867
Total Expenditures	6,753,886	234,667	909,206	7,897,759
Excess (Deficiency) of Revenues Over (Under) Expenditures	(156,095)	(230,434)	(188,892)	(575,421)
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Capital Assets	661	0	0	661
Transfers In	0	0	223,063	223,063
Transfers Out	(223,063)	0	0	(223,063)
Total Other Financing Sources (Uses)	(222,402)	0	223,063	661
Net Change in Fund Balance	(378,497)	(230,434)	34,171	(574,760)
<u>FUND BALANCE</u> - Beginning of Year	1,650,093	268,059	248,902	2,167,054
<u>FUND BALANCE</u> - End of Year	\$1,271,596	\$ 37,625	\$ 283,073	\$ 1,592,294

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

Net change in Fund Balances Total Governmental Funds \$ (574,760)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(411,947)
Capital Outlay	274,612

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	41,133
Accrued Interest Payable - End of Year	(42,512)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

Amortization of Bond Issuance Cost on Refunding	(5,544)
Amortization of Bond Deferred Loss on Refunding	(5,579)
Repayment of Bond Principal	215,000
Repayment of Principal on Long-Term Debt	1,927

Employees Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	103,334
Compensated Absences - End of Year	(120,034)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (524,370)</u>
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The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
<u>ASSETS</u>		
Cash	\$ 117,422	\$ 19,800
Interest Receivable	7,453	0
Scholarship Loans	45,567	0
Investments	<u>163,805</u>	<u>12,491</u>
 TOTAL ASSETS	 <u><u>\$ 334,247</u></u>	 <u><u>\$ 32,291</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Groups and Organizations	<u>\$ 0</u>	<u>\$ 32,291</u>
 <u>NET ASSETS</u>		
Reserved for		
Endowments	29,724	0
Student Loans	291,410	0
Student Scholarships	<u>13,113</u>	<u>0</u>
 Total Net Assets	 <u>334,247</u>	 <u>0</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 334,247</u></u>	 <u><u>\$ 32,291</u></u>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2008

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 12,655
<u>DEDUCTIONS</u>	
Scholarships	1,200
Bank Charges	189
Total Deductions	1,389
Changes in Net Assets	11,266
<u>NET ASSETS</u> - Beginning of Year	322,981
<u>NET ASSETS</u> - End of Year	\$ 334,247

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Marion Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The School District is located in Osceola and Clare Counties with its administrative offices located in Marion, Michigan. The District operates under an elected 7-member board of education and provides services to its 645 students in elementary, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

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NOTES TO FINANCIAL STATEMENTS  
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The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *GENERAL FUND* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2006 CAPITAL PROJECTS FUND* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

**Other Non-Major Funds**

The *SPECIAL REVENUE FUNDS* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *CAPITAL PROJECTS FUNDS* account for financial resources to be used for the acquisition or construction of major capital facilities.

The *DEBT SERVICE FUNDS* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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**Fiduciary Funds**

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *PRIVATE PURPOSE TRUST FUND* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where the principal is considered to be either expendable or non-expendable and the earnings may be spent. These funds are not reported on the District financial statements as they are not used to support District operations or programs. The District currently accounts for three separate non-expendable trust funds and one expendable trust fund.

The *AGENCY FUND* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007, and blended with the previous two years counts. For fiscal year ended June 30, 2008, the per pupil foundation allowance was \$7,204 for Marion Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and Investments

Cash includes amounts in demand deposits and certificates of deposit with original maturities of one year or less.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.



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- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- (e) United States government or federal agency obligation repurchase agreements.
- (f) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- (g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund – Non-homestead	18.0000
2000 Debt Retirement Fund – Homestead and non-homestead	0.5000
2000 Refunding Debt Retirement Fund – Homestead and non-homestead	1.5000
2006 Debt Retirement Fund – Homestead and non-homestead	1.0000
2006 Refunding Debt Retirement Fund – Homestead and non-homestead	0.5000

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4. Inventories and Prepaid Expenditures

Inventories are valued at cost. In the General Fund, the School District considers all supplies to be consumed when acquired and any inventories on hand at year-end are considered to be immaterial. The food service inventory consists of U.S.D.A. commodities and other food products held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	25 - 50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$1,000.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. For bonds issued after the implementation of GASB 34, the following apply: Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt

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issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the District.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in

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the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.

4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 25, 2007, or as amended by the School Board of Education on June 12, 2008.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the General Fund as follows:

Supporting Services – Other Pupil Services expenditures of \$99,988 exceeded appropriations by \$565.

Supporting Services – Academic Student Assessment expenditures of \$5,589 exceeded appropriations by \$2,956.

Supporting Services – Other Business Services expenditures of \$12,865 exceeded appropriations by \$1,395.

Transfers Out expenditures of \$223,063 exceeded appropriations by \$15,412.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments – Credit Risk**

The District's deposits and investments are all on deposit with Citizens Bank within the State of Michigan and Michigan School District Liquid Asset Fund Plus.

The District does not have a formal Investment Policy that addresses investment rate risk, foreign currency risk, credit risk, concentration of credit risk or custodial credit risk.

Deposits

At year-end, the carrying amount of the District's deposits was \$727,334. The bank balance was \$766,501 of which \$494,668 was covered by federal depository insurance and \$271,833 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

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MARION, MICHIGAN  
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Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name.

Investments not subject to categorization:

Investment Trust Funds	\$ <u>786,398</u>
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The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Cash	\$ 590,112	\$ 137,222	\$ 727,334
Investments	610,102	176,296	786,398
	<u>\$ 1,200,214</u>	<u>\$ 313,518</u>	<u>\$ 1,513,732</u>

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

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	General	Nonmajor and Other Funds	Total
Receivables			
Taxes	\$ 2,529	\$ 1,691	\$ 4,220
Due from Other Governmental Units	927,039	0	927,039
Total Receivables	<u>\$929,568</u>	<u>\$ 1,691</u>	<u>\$ 931,259</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grant Receipts Received, But Not Yet Utilized	\$ 0	\$ 28,931

**C. Capital Assets**

A summary of changes in the District's capital assets follows:

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	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 56,817	\$ 0	\$ 0	\$ 56,817
Construction in Progress	231,099	0	231,099	0
Total Capital assets, not being depreciated	287,916	0	231,099	56,817
Capital assets, being depreciated:				
Books	218,887	25,444	0	244,331
Buildings	3,436,495	0	0	3,436,495
Buses	629,755	0	0	629,755
Equipment and Furniture	1,994,983	23,796	0	2,018,779
Improvements	3,489,927	456,471	0	3,946,398
Other Vehicles	54,746	0	0	54,746
Total Capital assets, being depreciated	9,824,793	505,711	0	10,330,504
Less accumulated depreciation for:				
Books	83,857	33,081	0	116,938
Buildings	1,238,342	45,666	0	1,284,008
Buses	399,687	42,684	0	442,371
Equipment and Furniture	972,031	102,839	0	1,074,870
Improvements	375,760	183,971	0	559,731
Other Vehicles	29,376	3,706	0	33,082
Total Accumulated depreciation	3,099,053	411,947	0	3,511,000
Total Capital assets, being depreciated, net	6,725,740	93,764	0	6,819,504
Governmental activities capital assets, net	\$7,013,656	\$ 93,764	\$231,099	\$ 6,876,321

Depreciation for the fiscal year ended June 30, 2008 amounted to \$411,947. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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**D. Long-Term Debt**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Self-Liquidating Bonds were issued by the State of Michigan in the name of the District as part of a state-wide lawsuit settlement.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2008:

	General Obligation Serial Bonds	Self Liquidating Bonds	Water Connection Loan	Compensated Absences Payable	Total
Balance July 1, 2007	\$ 5,710,000	\$ 38,649	\$ 73,233	\$ 103,334	\$ 5,925,216
Increase (Decrease)	(215,000)	0	(1,927)	16,700	(200,227)
Balance June 30, 2008	5,495,000	38,649	71,306	120,034	5,724,989
Less current portion	(230,000)	0	(1,976)	0	(231,976)
Total due after one year	\$ 5,265,000	\$ 38,649	\$ 69,330	\$ 120,034	\$ 5,493,013

At June 30, 2008, the School's Long-Term Debt consisted of the following:

General Obligation Serial Bonds

2000 refunding bonds due in annual installments of \$100,000 to \$105,000 through May 1, 2021, interest at 4.75% to 5.50%. \$ 1,335,000

2000 school building and site bonds due in annual installments of \$60,000 to \$70,000 through May 1, 2010, interest at 5.100%. 130,000

2005 energy conservation improvement bonds due in annual installments of \$20,000 to \$35,000 through May 1, 2020, interest at 4.00% to 4.95%. 325,000

2006 refunding bonds due in annual installments of \$15,000 to \$170,000 through May 1, 2020, interest at 3.35% to 4.00%. 1,385,000

2006 school building and site bonds due in annual installments of \$30,000 to \$400,000 through May 1, 2025, interest at 3.90% to 4.10%. 2,320,000

Self-Liquidating Bonds

1998 Durant Settlement Bonds due in annual principal payments of \$3,792 to \$26,828 through May 15, 2013, interest at 3.858%. The funding for this payment to be provided by the State of Michigan through restricted State Aid. 38,649



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Water Connection Loan

\$78,734 loan from the Village of Marion dated March 1, 2005 to finance new water line connection at High School. Semi annual payments of \$1,873 including interest at 2.5% due March 1 and August 31 each year through March 1, 2034 71,306

Compensated Absences Payable

Accumulated Sick and Vacation Pay 120,034

TOTAL LONG-TERM DEBT \$ 5,724,989

The annual requirements to amortize debt outstanding as of June 30, 2008, including interest payments of \$2,323,359 are as follows:

Year ending June 30,	Principal	Interest	Amounts Payable
2009	\$ 231,976	\$ 241,812	\$ 473,788
2010	268,853	228,710	497,563
2011	255,868	216,343	472,211
2012	271,067	205,703	476,770
2013	281,273	194,272	475,545
2014-2018	1,591,762	780,919	2,372,681
2019-2023	1,878,319	401,441	2,279,760
2024-2028	805,080	52,440	857,520
2029-2033	17,075	1,655	18,730
2034-2035	3,682	64	3,746
	<u>5,604,955</u>	<u>2,323,359</u>	<u>7,928,314</u>
Compensated absences	120,034	0	120,034
	<u>\$5,724,989</u>	<u>\$2,323,359</u>	<u>\$8,048,348</u>

The annual requirements to amortize the accrued compensated absences are uncertain because it is unknown when the employees will use the benefit.

**E. Short-Term Debt**

The District did not have any short-term debt for the year ended June 30, 2008.

**F. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2008 were:

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
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JUNE 30, 2008

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 4,762	\$ 24,747
School Service Fund - Food Service Fund	0	4,762
2000 Debt Retirement Fund	10,380	0
2000 Refunding Debt Retirement Fund	7,183	0
2006 Debt Retirement Fund	4,791	0
2006 Refunding Debt Retirement Fund	2,393	0
	<u>\$ 29,509</u>	<u>\$ 29,509</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers as shown in the individual fund financial statements at June 30, 2008, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 223,063
School Service Fund - Athletic Activities	131,768	0
School Service Fund - Food Service Fund	55,466	0
2005 Energy Debt Fund	35,829	0
	<u>\$ 223,063</u>	<u>\$ 223,063</u>

Transfers are used to move unrestricted General Fund revenues to finance various programs that the School must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

**G. Designated and Reserved Fund Balance**

The School has designated the General Fund balance as follows:

**1. Long-Term Liabilities**

The contracts with teachers and non-teaching personnel have various provisions for the accumulation of sick pay. Upon retirement, if the employee has met certain contract provisions, the employee may receive a cash payment for the accumulated benefits. At June 30, 2008, the liability to the employees for accumulated sick leave and related fringe benefits is estimated at \$120,034. As of June 30, 2008, the School has designated \$142,000 of its General Fund balance towards paying this and other future long-term obligations.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

2. Irene Helfrich Expenditures

The District formed a Citizens Committee for determining how best to utilize the Irene Helfrich Donations. The Committee recommendations were approved by the board, and the unspent amount at June 30, 2008, of \$93,430 has been designated for those future uses.

3. Millie Jones Expenditures

The District formed a Citizens Committee for determining how best to utilize the Millie Jones Donations. The Committee recommendations were approved by the board, and the unspent amount at June 30, 2008, of \$39,476 has been designated for those future uses.

The School has reserved \$1,000 for prepaid expenditures in accordance with GAAP.

**H. Sale of Future Revenues**

For several years, the District has sold its rights to delinquent real property tax revenues and related late payment penalties to the Osceola and Clare County treasurers. For the 2007 tax roll the District received, or will receive, a lump sum payment of \$127,141 for general operating tax revenues and \$51,959 for debt service tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the counties are allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the counties are ultimately unable to collect any of these delinquent taxes, the District will have to repay the counties.

**I. Capital Projects Fund**

The 2006 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the 2006 Capital Projects Fund from the inception of the fund through the current fiscal year.

Revenues	\$ 84,994
Expenditures	\$ 2,318,444
Other Financial Sources	\$ 2,271,075

For this capital project, the school district has complied with the applicable provisions of §1351 of the Revised School Code.

**NOTE 4 – OTHER INFORMATION**

**A. Employee Retirement System**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the first quarter of the year ended June 30, 2008, was 17.74%, and for the last three quarters it was 16.72%. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007 and 2006 were \$582,116, \$571,110 and \$479,816, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**B. Single Audit Report**

The School District is required to have an audit performed in accordance with the guidelines of the Single Audit Act of 1984, as amended. This audit is being performed and the reports based thereon will be issued under separate cover.

**C. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in

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MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

**D. "Durant" Case Settlement**

The school district has accepted an offer made by the State of Michigan to all "non-plaintiff" school districts for a settlement of the "Durant" case which was a suit alleging underfunding by the State of Michigan for State mandated special education programs. Marion Public Schools will receive a total settlement from this case of \$120,994, and the State will pay it in the following manner:

- (a) 50% of the settlement (or \$60,497) will be paid to the District over a ten-year period beginning November 15, 1998. These funds are restricted and can be used only for school buses, electronic technology, instructional material and software, school security, textbooks, infrastructure or infrastructure improvement, training for technology, or to reduce or eliminate voter-approved debt that was issued prior to 11/19/97.
- (b) 50% of the settlement (or \$60,497) was received by the District on November 24, 1998, from the proceeds of a bond issue from a Michigan Bond Authority bond program. These funds are being accounted for in the 1998 Durant Capital Projects Fund. Proceeds from the bonds may be used for any purpose specified in Section 1351a of the Revised School Code.

Debt service amounts for these bonds will be allocated annually to the District through restricted State Aid. The School District does not actually receive these funds. Instead, the District has arranged for the State of Michigan to make these disbursements directly to the bond holders from the restricted State Aid allocated to the District for this specific purpose.

**E. Lease Information**

The School District leases copy machines, digital duplicators, and a dishwasher. The total rental expense for the fiscal years ended June 30, 2008 and June 30, 2007, was \$12,204 and \$11,560 respectively. The future minimum payments are summarized below:

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MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

<u>YEAR-ENDING</u>	<u>AMOUNTS</u>
2009	\$ 10,956
2010	9,831
2011	7,393
2012	5,307
2013	<u>1,327</u>
	<u>\$ 34,814</u>

**F. Commitment**

The District has no commitments as of June 30, 2008.

**G. 2006 Refunding Bonds**

On January 26, 2006, the District issued \$1,410,000 in General Obligation Bonds with interest rates of 3.25% to 4.00% to advance refund \$1,325,000 of outstanding 2000 Series Bonds with interest rates of 5.00% to 5.375%. As a result, \$1,325,000 of the 2000 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the non current liabilities of the District.

The District advance refunded a portion of the 2000 bond issue to reduce its total future debt service payments by \$62,373 and resulted in an economic gain of \$45,344.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS BUDGETARY BASIS
<u>REVENUES</u>			
Local Sources	\$ 1,240,450	\$ 1,417,177	\$ 1,432,254
State Sources	3,701,602	3,638,001	3,650,262
Federal Sources	429,346	1,488,596	1,394,551
Other Transactions	87,000	99,450	120,724
Total Revenues	<u>5,458,398</u>	<u>6,643,224</u>	<u>6,597,791</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary	1,378,589	1,407,994	1,395,412
High School	1,548,080	1,643,235	1,635,710
Pre-Kindergarten	107,374	936,254	866,355
Summer School	15,007	34,402	12,712
Added Needs			
Special Education	401,894	382,564	372,110
Compensatory Education	253,171	243,433	225,359
Supporting Services			
Pupil			
Guidance	36,233	40,242	35,516
Social Work	0	21,763	8,317
Other Pupil Services	76,290	99,423	99,988
Instructional Staff			
Improvement of Education	77,973	302,643	252,835
Educational Media Services	105,731	118,903	114,251
Computer-Assisted Instruction	0	4,326	944
Academic Student Assessment	0	2,633	5,589
Other Instructional Staff Services	0	20	19
General Administration			
Board of Education	71,625	76,125	74,389
Executive Administration	228,006	227,383	210,269
School Administration			
Office of the Principal	398,450	398,551	388,405

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS BUDGETARY BASIS
Business			
Fiscal Services	79,238	86,660	84,782
Other Business Services	13,190	11,470	12,865
Operation and Maintenance	557,691	461,285	429,673
Pupil Transportation Services	426,410	459,382	416,426
Support Services - Central	125,456	129,456	106,738
Community Activities	0	7,805	1,476
Other Transactions	39,187	3,746	3,746
Total Expenditures	5,939,595	7,099,698	6,753,886
Excess (Deficiency) of Revenues Over (Under) Expenditures	(481,197)	(456,474)	(156,095)
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of Capital Assets	1,000	660	661
Transfers Out	(165,210)	(207,651)	(223,063)
Total Other Financing Sources (Uses)	(164,210)	(206,991)	(222,402)
Net Change in Fund Balance	(645,407)	(663,465)	(378,497)
<u>FUND BALANCE</u> - Beginning of Year	1,650,093	1,650,093	1,650,093
<u>FUND BALANCE</u> - End of Year	\$ 1,004,686	\$ 986,628	\$ 1,271,596



MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2008

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT RETIREMENT FUNDS</u>						<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FOOD SERVICE FUND</u>	<u>ATHLETIC ACTIVITIES FUND</u>	<u>2000 DEBT RETIREMENT FUND</u>	<u>2000 REFUNDING DEBT RETIREMENT FUND</u>	<u>2005 ENERGY DEBT RETIREMENT FUND</u>	<u>2006 DEBT RETIREMENT FUND</u>	<u>2006 REFUNDING DEBT RETIREMENT FUND</u>		
<u>ASSETS</u>									
Cash	\$ 5,499	\$ 1,855	\$ 40,525	\$ 108,621	\$ 493	\$ 66,199	\$ 39,623	\$	262,815
Taxes Receivable	0	0	253	718	0	463	257		1,691
Due from Other Funds	0	0	10,380	7,183	0	4,791	2,393		24,747
Inventory	8,934	0	0	0	0	0	0		8,934
Investments	85	0	0	0	0	0	0		85
<b>TOTAL ASSETS</b>	<b>\$ 14,518</b>	<b>\$ 1,855</b>	<b>\$ 51,158</b>	<b>\$ 116,522</b>	<b>\$ 493</b>	<b>\$ 71,453</b>	<b>\$ 42,273</b>	<b>\$</b>	<b>298,272</b>
<u>LIABILITIES AND FUND BALANCES</u>									
<u>LIABILITIES</u>									
Accounts Payable	\$ 2,450	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$	2,450
Due to Other Funds	4,762	0	0	7,987	0	0	0		12,749
<b>Total Liabilities</b>	<b>7,212</b>	<b>0</b>	<b>0</b>	<b>7,987</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>15,199</b>
<u>FUND BALANCE</u>									
Reserved for Inventory	8,934	0	0	0	0	0	0		8,934
Reserved for Debt Retirement	0	0	51,158	108,535	493	71,453	42,273		273,912
Unreserved; Designated for Athletic Activities	0	1,855	0	0	0	0	0		1,855
Unreserved; Undesignated (Deficit)	(1,628)	0	0	0	0	0	0		(1,628)
<b>Total Fund Balances</b>	<b>8,934</b>	<b>1,855</b>	<b>51,158</b>	<b>108,535</b>	<b>493</b>	<b>71,453</b>	<b>42,273</b>		<b>283,073</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 16,146</b>	<b>\$ 1,855</b>	<b>\$ 51,158</b>	<b>\$ 116,522</b>	<b>\$ 493</b>	<b>\$ 71,453</b>	<b>\$ 42,273</b>	<b>\$</b>	<b>298,272</b>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2008

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT RETIREMENT FUNDS</u>					<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FOOD SERVICE FUND</u>	<u>ATHLETIC ACTIVITIES FUND</u>	<u>2000 DEBT RETIREMENT FUND</u>	<u>2000 REFUNDING DEBT RETIREMENT FUND</u>	<u>2005 ENERGY DEBT RETIREMENT FUND</u>	<u>2006 DEBT RETIREMENT FUND</u>	<u>2006 REFUNDING DEBT RETIREMENT FUND</u>	
<u>REVENUES</u>								
Local Sources	\$ 57,058	\$ 26,536	\$ 66,717	\$ 199,594	\$ 438	\$ 131,943	\$ 66,804	\$ 549,090
State Sources	16,395	0	0	0	0	0	0	16,395
Federal Sources	154,829	0	0	0	0	0	0	154,829
Total Revenues	228,282	26,536	66,717	199,594	438	131,943	66,804	720,314
<u>EXPENDITURES</u>								
Food Service Activities	283,272	0	0	0	0	0	0	283,272
Athletic Activities	0	163,212	0	0	0	0	0	163,212
Debt Service								
Principal	0	0	50,000	105,000	20,000	25,000	15,000	215,000
Interest	0	0	8,971	73,430	15,829	93,737	52,634	244,601
Paying Agent Fees	0	0	622	1,198	0	200	430	2,450
Taxes Abated and Written Off	0	0	235	436	0	0	0	671
Total Expenditures	283,272	163,212	59,828	180,064	35,829	118,937	68,064	909,206
Excess (Deficiency) of Revenues Over (Under) Expenditures	(54,990)	(136,676)	6,889	19,530	(35,391)	13,006	(1,260)	(188,892)
<u>OTHER FINANCING SOURCES</u>								
Transfers In	55,466	131,768	0	0	35,829	0	0	223,063
Excess of Revenues and Other Sources Over (Under) Expenditures	476	(4,908)	6,889	19,530	438	13,006	(1,260)	34,171
<u>FUND BALANCE</u> - Beginning of Year	6,830	6,763	44,269	89,005	55	58,447	43,533	248,902
<u>FUND BALANCE</u> - End of Year	\$ 7,306	\$ 1,855	\$ 51,158	\$ 108,535	\$ 493	\$ 71,453	\$ 42,273	\$ 283,073

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
GENERAL FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	2008	2007
<u>ASSETS</u>		
Cash	\$ 327,297	\$ 585,030
Accounts Receivable	0	27,985
Taxes Receivable	2,529	1,701
Due from Other Funds	4,762	10,676
Due from Other Governmental Units	927,039	808,027
Investments	572,392	729,780
Prepaid Expenditures	1,000	33,240
	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,835,019	\$ 2,196,439
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 164,062	\$ 172,444
Due to Other Funds	16,760	14,638
Salaries Payable	353,670	348,674
Deferred Revenue	28,931	10,590
	<hr/>	<hr/>
Total Liabilities	563,423	546,346
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenditures	1,000	33,240
Unreserved		
Designated for Irene Helfrich Expenditures	93,430	0
Designated for Millie Jones Expenditures	39,476	40,499
Designated for Long Term Liabilities	142,000	175,000
Undesignated	995,690	1,401,354
	<hr/>	<hr/>
Total Fund Balance	1,271,596	1,650,093
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,835,019	\$ 2,196,439
	<hr/>	<hr/>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,417,177	\$ 1,432,254	\$ 1,276,775
State Sources	3,638,001	3,650,262	3,834,577
Federal Sources	1,488,596	1,394,551	613,178
Other Transactions	99,450	120,724	157,625
Total Revenues	6,643,224	6,597,791	5,882,155
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary	1,407,994	1,395,412	1,279,354
High School	1,643,235	1,635,710	1,522,518
Pre-Kindergarten	936,254	866,355	100,872
Summer School	34,402	12,712	17,438
Added Needs			
Special Education	382,564	372,110	372,864
Compensatory Education	243,433	225,359	237,534
Supporting Services			
Pupil			
Guidance	40,242	35,516	35,195
Social Work	21,763	8,317	24,457
Other Pupil Services	99,423	99,988	73,115
Instructional Staff			
Improvement of Instruction	302,643	252,835	221,903
Educational Media Services	118,903	114,251	100,735
Computer-Assisted Instruction	4,326	944	0
Academic Student Assessment	2,633	5,589	1,984
Other Instructional Staff Services	20	19	155
General Administration			
Board of Education	76,125	74,389	58,841
Executive Administration	227,383	210,269	217,881

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
School Administration			
Office of the Principal	398,551	388,405	388,598
Business			
Fiscal Services	86,660	84,782	90,210
Other Business Services	11,470	12,865	13,310
Operations and Maintenance	461,285	429,673	481,397
Pupil Transportation Services	459,382	416,426	528,644
Support Services - Central	129,456	106,738	158,290
Other Support Services	0	0	1,000
Community Activities	7,805	1,476	6,090
Other Transactions	3,746	3,746	3,746
Total Expenditures	<u>7,099,698</u>	<u>6,753,886</u>	<u>5,936,131</u>
Excess of Revenues Over (Under)			
Expenditures	<u>(456,474)</u>	<u>(156,095)</u>	<u>(53,976)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of Capital Assets	660	661	1,150
Transfers Out	<u>(207,651)</u>	<u>(223,063)</u>	<u>(189,610)</u>
Total Other Financing Sources (Uses)	<u>(206,991)</u>	<u>(222,402)</u>	<u>(188,460)</u>
Excess of Revenues Over (Under)			
Expenditures and Other Uses	<u>(663,465)</u>	<u>(378,497)</u>	<u>(242,436)</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>1,650,093</u>	<u>1,650,093</u>	<u>1,892,529</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 986,628</u>	<u>\$ 1,271,596</u>	<u>\$ 1,650,093</u>

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR JUNE 30, 2007

PRIVATE PURPOSE TRUST FUNDS								
	B. DEE DEE		DORALD L.		MILLIE		JENNIE P.	
	MANCHA-HAMMAR		GIDDINGS		JONES		OPPER	
	MEMORIAL	WHITE-HELFRICH	SCHOLARSHIP	SCHOLARSHIP	SCHOLARSHIP	SCHOLARSHIP	LOAN FUND	TOTALS
		LOAN FUND	TRUST	TRUST	TRUST	TRUST		2008 2007
<u>ASSETS</u>								
Cash	\$ 10	\$ 93,208	\$ 586	\$ 20,557	\$ 3,061	\$ 117,422	\$ 91,581	
Interest Receivable	0	6,148	0	0	1,305	7,453	8,816	
Scholarship Loans	0	30,571	0	0	14,996	45,567	62,393	
Investments	1,913	61,086	9,740	0	91,066	163,805	160,191	
TOTAL ASSETS	\$ 1,923	\$ 191,013	\$ 10,326	\$ 20,557	\$ 110,428	\$ 334,247	\$ 322,981	
<u>LIABILITIES AND NET ASSETS</u>								
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
<u>NET ASSETS</u>								
Reserved for								
Endowments	0	0	10,326	20,557	0	30,883	29,724	
Student Loans	0	191,013	0	0	110,428	301,441	291,410	
Student Scholarships	1,923	0	0	0	0	1,923	1,847	
Total Net Assets	1,923	191,013	10,326	20,557	110,428	334,247	322,981	
TOTAL LIABILITIES AND NET ASSETS	\$ 1,923	\$ 191,013	\$ 10,326	\$ 20,557	\$ 110,428	\$ 334,247	\$ 322,981	

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007

PRIVATE PURPOSE TRUST FUNDS						TOTALS	
B. DEE DEE MANCHA - HAMMAR MEMORIAL	WHITE-HELFRICH LOAN FUND	DORALD L. GIDDINGS SCHOLARSHIP TRUST	MILLIE JONES SCHOLARSHIP TRUST	JENNIE P. OPPER LOAN FUND		2008	2007
<u>ADDITIONS</u>							
Earnings on Investments and Deposits	\$ 76	\$ 7,123	\$ 388	\$ 771	\$ 4,297	\$ 12,655	\$ 13,035
<u>DEDUCTIONS</u>							
Scholarships	0	0	0	0	1,200	1,200	1,000
Bank Charges	0	158	0	0	31	189	516
Total Deductions	0	158	0	0	1,231	1,389	1,516
Changes in Net Assets	76	6,965	388	771	3,066	11,266	11,519
<u>NET ASSETS</u> - Beginning of Year	1,847	184,048	9,938	19,786	107,362	322,981	311,462
<u>NET ASSETS</u> - End of Year	\$ 1,923	\$ 191,013	\$ 10,326	\$ 20,557	\$ 110,428	\$ 334,247	\$ 322,981

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2008

	BALANCE 7/1/2007	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2008
<u>Elementary and Administrative</u>				
Band Resale-Elementary	\$ 3	\$ 42	\$ 35	\$ 10
Book Store	1,660	0	0	1,660
Elementary Book Fair	57	2,490	2,360	187
Elementary Paper and Administrative	8,357	14,283	12,120	10,520
Elementary Pop Account	474	1,030	814	690
Family School Coordinator	19	2,121	1,743	397
Field Trips	0	1,918	1,248	670
Interest Account	16,625	1,850	12,080	6,395
Interest and Service Charges	188	77	1	264
Osceola Community Foundation	3,212	4,407	3,811	3,808
Pencil and Paper	414	0	0	414
Total Elementary and Administrative	31,009	28,218	34,212	25,015
<u>High School</u>				
Art	21	0	0	21
Band and Choir	974	2,486	3,116	344
Band Resale-High School	0	374	288	86
Class of 2007	64	0	0	64
Class of 2008	11,944	15,006	26,421	529
Class of 2009	573	4,188	985	3,776
Class of 2010	1,730	3,050	1,786	2,994
Class of 2011	0	1,953	900	1,053
Lowe's Grant	702	0	216	486
Miscellaneous Account	53	81	84	50
Shop	(429)	2,959	2,881	(351)
Spanish Club	80	0	644	(564)
Stuco	3,376	6,363	9,484	255
Student Activities	1,015	10,572	11,506	81
Students Against Drunk Driving	216	0	125	91
Varsity and Junior Varsity Boy's Basketball	343	0	0	343
Varsity and Junior Varsity Football	145	2,345	2,396	94
Varsity and Junior Varsity Girls' Basketball	0	1,080	889	191
Varsity and Junior Varsity Baseball	17	0	0	17
Varsity and Junior Varsity Softball	74	253	327	0



MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2008

	BALANCE 7/1/2007	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2008
Varsity and Junior Varsity Track	0	1,720	1,591	129
Varsity and Junior Varsity Volleyball	37	0	0	37
Varsity Cheerleaders	362	2,454	2,261	555
Yearbook	(4,382)	4,808	3,453	(3,027)
Donations	22	0	0	22
Total High School	16,937	59,692	69,353	7,276
Total Elementary, Administrative and High School	\$ 47,946	\$ 87,910	\$ 103,565	\$ 32,291
Represented By				
Assets				
Elementary and Administrative				
Cash	\$ 19,015			\$ 12,524
Investments	11,994			12,491
Total Elementary and Administrative	31,009			25,015
High School				
Cash	16,937			7,276
TOTAL ASSETS	\$ 47,946			\$ 32,291
Liabilities				
Due to Groups and Organizations	\$ 47,946			\$ 32,291

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
1998 BOND ISSUE - DURANT SETTLEMENT

JUNE 30, 2008

<u>TITLE OF ISSUE</u>	1998 School Improvement Bond
<u>PURPOSE</u>	For purposes permitted in Section 1352(1) of Act-451, Public Acts of Michigan
<u>DATE OF ISSUE</u>	November 24, 1998
<u>INTEREST PAYABLE</u>	May 15th of each year
<u>AMOUNT OF ISSUE</u>	\$ 60,497
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 21,848
During Current Year	<u>0      21,848</u>
<u>BALANCE OUTSTANDING - June 30, 2008</u>	<u><u>\$ 38,649</u></u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 15, 2009	3.858 %	\$ 0	\$ 4,248	\$ 4,248
May 15, 2010	3.858 %	26,828	1,715	28,543
May 15, 2011	3.858 %	3,792	456	4,248
May 15, 2012	3.858 %	3,938	310	4,248
May 15, 2013	3.858 %	4,091	158	4,249
		<u>\$ 38,649</u>	<u>\$ 6,887</u>	<u>\$ 45,536</u>

REDEMPTIONS PRIOR TO MATURITY      This bond does not provide for redemption prior to maturity.

TAX LEVY FOR RETIREMENT OF BONDS      The revenues to redeem the 1998 Durant Settlement Bond issue come from yearly transfers of state aid from the State of Michigan. Therefore, no property taxes are levied by the School District to meet this debt obligation.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2000 SCHOOL BUILDING AND SITE BOND

JUNE 30, 2008

<u>TITLE OF ISSUE</u>	2000 School Building and Site Bond
<u>PURPOSE</u>	Defray the cost of erecting, furnishing and equipping outdoor athletic/physical education fields and facilities for, and a weight/exercise room addition to, the Middle School/High School and development and improving the site.
<u>DATE OF ISSUE</u>	August 1, 2000
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year
<u>AMOUNT OF ISSUE</u>	\$ 1,675,000
<u>AMOUNT OF CURRENT ADVANCED</u>	
<u>REFUNDING OF DEBT ON JANUARY 9, 2006</u>	(1,325,000)
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 170,000
During Current Year	50,000
	<u>220,000</u>
<u>BALANCE OUTSTANDING - June 30, 2008</u>	<u>\$ 130,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2008			\$ 3,315	\$ 3,315
May 1, 2009	5.100 %	\$ 60,000	3,315	63,315
November 1, 2009			1,785	1,785
May 1, 2010	5.100 %	70,000	1,785	71,785
		<u>\$ 130,000</u>	<u>\$ 10,200</u>	<u>\$ 140,200</u>

DENOMINATIONS \$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2000 SCHOOL BUILDING AND SITE BOND

JUNE 30, 2008

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing on or after May 1, 2011 are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2010, at part and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2000 REFUNDING BONDS

JUNE 30, 2008

<u>TITLE OF ISSUE</u>	2000 Refunding Bonds
<u>PURPOSE</u>	To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds.
<u>DATE OF ISSUE</u>	August 1, 2000
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year
<u>AMOUNT OF ISSUE</u>	\$ 1,915,000
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 475,000
During Current Year	105,000
	<u>580,000</u>
<u>BALANCE OUTSTANDING - June 30, 2008</u>	<u>\$ 1,335,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2008			\$ 34,560	\$ 34,560
May 1, 2009	4.750 %	\$ 105,000	34,560	139,560
November 1, 2009			32,066	32,066
May 1, 2010	4.750 %	105,000	32,066	137,066
November 1, 2010			29,572	29,572
May 1, 2011	4.850 %	105,000	29,573	134,573
November 1, 2011			27,026	27,026
May 1, 2012	5.000 %	105,000	27,026	132,026
November 1, 2012			24,401	24,401
May 1, 2013	5.100 %	105,000	24,401	129,401
November 1, 2013			21,724	21,724
May 1, 2014	5.200 %	105,000	21,724	126,724
November 1, 2014			18,994	18,994
May 1, 2015	5.250 %	105,000	18,994	123,994

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2000 REFUNDING BONDS

JUNE 30, 2008

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2015			16,237	16,237
May 1, 2016	5.300 %	100,000	16,238	116,238
November 1, 2016			13,587	13,587
May 1, 2017	5.375 %	100,000	13,588	113,588
November 1, 2017			10,900	10,900
May 1, 2018	5.400 %	100,000	10,900	110,900
November 1, 2018			8,200	8,200
May 1, 2019	5.400 %	100,000	8,200	108,200
November 1, 2019			5,500	5,500
May 1, 2020	5.500 %	100,000	5,500	105,500
November 1, 2020			2,750	2,750
May 1, 2021	5.500 %	100,000	2,750	102,750
		<u>\$1,335,000</u>	<u>\$ 491,037</u>	<u>\$ 1,826,037</u>

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing on or after May 1, 2011 are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2010, at par and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the school District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2008

<u>TITLE OF ISSUE</u>	2005 Energy Conservation Improvement Bonds
<u>PURPOSE</u>	The bonds are issued for the purpose of paying the cost of certain energy conservation projects for the District's facilities.
<u>DATE OF ISSUE</u>	April 15, 2005
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year
<u>AMOUNT OF ISSUE</u>	\$ 375,000
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 30,000
During Current Year	20,000
	<u>50,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2008	<u>\$ 325,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2008			\$ 7,527	\$ 7,527
May 1, 2009	4.000 %	\$ 20,000	7,527	27,527
November 1, 2009			7,127	7,127
May 1, 2010	4.100 %	20,000	7,127	27,127
November 1, 2010			6,717	6,717
May 1, 2011	4.375 %	20,000	6,717	26,717
November 1, 2011			6,279	6,279
May 1, 2012	4.450 %	25,000	6,279	31,279
November 1, 2012			5,723	5,723
May 1, 2013	4.500 %	25,000	5,723	30,723
November 1, 2013			5,161	5,161
May 1, 2014	4.550 %	25,000	5,161	30,161
November 1, 2014			4,592	4,592
May 1, 2015	4.600 %	25,000	4,592	29,592

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2008

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2015			4,017	4,017
May 1, 2016	4.750 %	30,000	4,017	34,017
November 1, 2016			3,304	3,304
May 1, 2017	4.850 %	30,000	3,304	33,304
November 1, 2017			2,577	2,577
May 1, 2018	4.875 %	35,000	2,577	37,577
November 1, 2018			1,724	1,724
May 1, 2019	4.900 %	35,000	1,724	36,724
November 1, 2019			866	866
May 1, 2020	4.950 %	35,000	866	35,866
		<u>\$ 325,000</u>	<u>\$ 111,228</u>	<u>\$ 436,228</u>

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing on or after May 1, 2016 are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2015, at par and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied within the constitutional and statutory tax limitations of the District.



MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
BOND PAYMENT SCHEDULE  
2006 SCHOOL BUILDING AND SITE BONDS

JUNE 30, 2008

<u>TITLE OF ISSUE</u>	2006 School Building and Site Bond		
<u>PURPOSE</u>	Partially remodeling school facilities; and developing and improving sites related to the remodeling.		
<u>DATE OF ISSUE</u>	January 26, 2006		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>	\$ 2,365,000		
Amount Redeemed Prior Years	\$ 20,000		
Amount Redeemed During Current Year	25,000	45,000	
<u>BALANCE OUTSTANDING - June 30, 2008</u>			<u>\$ 2,320,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2008			\$ 46,410	\$ 46,410
May 1, 2009	3.900 %	\$ 30,000	46,410	76,410
November 1, 2009			45,825	45,825
May 1, 2010	3.900 %	30,000	45,825	75,825
November 1, 2010			45,240	45,240
May 1, 2011	3.900 %	35,000	45,240	80,240
November 1, 2011			44,557	44,557
May 1, 2012	3.900 %	35,000	44,557	79,557
November 1, 2012			43,875	43,875
May 1, 2013	3.900 %	35,000	43,875	78,875
November 1, 2013			43,192	43,192
May 1, 2014	3.900 %	35,000	43,193	78,193
November 1, 2014			42,510	42,510
May 1, 2015	3.900 %	35,000	42,510	77,510
November 1, 2015			41,828	41,828
May 1, 2016	3.900 %	40,000	41,828	81,828
November 1, 2016			41,048	41,048
May 1, 2017	3.900 %	45,000	41,048	86,048
November 1, 2017			40,170	40,170

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
BOND PAYMENT SCHEDULE  
2006 SCHOOL BUILDING AND SITE BONDS

JUNE 30, 2008

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2018	3.900 %	50,000	40,170	90,170
November 1, 2018			39,195	39,195
May 1, 2019	3.900 %	60,000	39,195	99,195
November 1, 2019			38,025	38,025
May 1, 2020	3.900 %	80,000	38,025	118,025
November 1, 2020			36,465	36,465
May 1, 2021	3.900 %	260,000	36,465	296,465
November 1, 2021			31,395	31,395
May 1, 2022	4.000 %	375,000	31,395	406,395
November 1, 2022			23,895	23,895
May 1, 2023	4.000 %	385,000	23,895	408,895
November 1, 2023			16,195	16,195
May 1, 2024	4.100 %	390,000	16,195	406,195
November 1, 2024			8,200	8,200
May 1, 2025	4.100 %	400,000	8,200	408,200
		<u>\$ 2,320,000</u>	<u>\$ 1,256,051</u>	<u>\$ 3,576,051</u>

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTIONS PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing in the year 2020 and thereafter, shall be subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any payment occurring on or after May 1, 2015, at par and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the school District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 REFUNDING BONDS

JUNE 30, 2008

<u>TITLE OF ISSUE</u>	2006 Refunding Bonds
<u>PURPOSE</u>	To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds
<u>DATE OF ISSUE</u>	January 26, 2006
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year
<u>AMOUNT OF ISSUE</u>	\$ 1,410,000
Amount Redeemed Prior Years	\$ 10,000
Amount Redeemed During Current Year	15,000
	<u>25,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2008	<u>\$ 1,385,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2008			\$ 26,085	\$ 26,085
May 1, 2009	3.350 %	\$ 15,000	26,085	41,085
November 1, 2009			25,834	25,834
May 1, 2010	3.400 %	15,000	25,834	40,834
November 1, 2010			25,579	25,579
May 1, 2011	3.450 %	90,000	25,579	115,579
November 1, 2011			24,026	24,026
May 1, 2012	3.500 %	100,000	24,026	124,026
November 1, 2012			22,276	22,276
May 1, 2013	3.550 %	110,000	22,276	132,276
November 1, 2013			20,324	20,324
May 1, 2014	3.600 %	120,000	20,324	140,324
November 1, 2014			18,164	18,164
May 1, 2015	3.650 %	135,000	18,164	153,164
November 1, 2015			15,700	15,700
May 1, 2016	3.800 %	145,000	15,700	160,700
November 1, 2016			12,945	12,945

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 REFUNDING BONDS

JUNE 30, 2008

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2017	3.800 %	155,000	12,945	167,945
November 1, 2017			10,000	10,000
May 1, 2018	4.000 %	165,000	10,000	175,000
November 1, 2018			6,700	6,700
May 1, 2019	4.000 %	170,000	6,700	176,700
November 1, 2019			3,300	3,300
May 1, 2020	4.000 %	165,000	3,300	168,300
		<u>\$ 1,385,000</u>	<u>\$ 421,866</u>	<u>\$ 1,806,866</u>

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTIONS PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing in the year 2017 and thereafter, shall be subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any payment occurring on or after May 1, 2015, at par and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the school District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

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July 11, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education  
Marion Public Schools  
Marion, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Public Schools for the year ended June 30, 2008, and have issued our report thereon dated July 11, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 23, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Marion Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Marion Public School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies

used by Marion Public Schools are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed several adjusting journal entries which were reviewed and accepted by management. No material misstatements were noted.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 11, 2008.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Marion Public Schools for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

##### Bank Reconciliations

During the course of our audit we noticed that the General Fund bank reconciliation had varying immaterial unreconciled differences each month. As a method of strengthening internal controls and good accounting practice, we recommend that the bank account be reconciled timely and accurately each month.

Public Act 621 (PA 621)

In several activities in the General Fund expenditures exceeded the budgeted amounts. PA 621 requires that the budget be amended to allow for expenditures before incurring the expenditures.

Lack of Adequate Internal Controls Over Decentralized Cash Collections

Management is responsible for establishing and maintaining internal controls over cash for the district.

At many school districts, internal controls over decentralized cash collections present a challenge for management. The District currently does not have entirely effective controls in place related to decentralized cash collections.

This condition was caused by limited personnel involved in the process and a lack of documentation related to the cash collection process.

The effect of this condition is that an environment is created in which the potential exists for cash collections to not be deposited into the District's bank accounts and go undetected in the financial recordkeeping process.

The District is aware of this limitation, and is in the process of evaluating and implementing controls to correct or mitigate this situation in the future.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*